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1. THE ALGERIAN SITUATION

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General Quenard, French commander in the southern territories of Algeria, told the American consul general in Algiers recently that the Algerian National Liberation Front (FLN) hopes to assure UN intervention in Algeria by provoking the European settlers into retaliatory action in which thousands of Moslems will be killed. To this end, Quenard said, the FLN is planning to step-up indiscriminate killings in Algiers during the "insurrectionary" general strike scheduled to coincide with UN consideration of the Algerian problem.

Quenard also said that rebel military groups numbering several thousand are forming in Morocco and Tunisia and that an attack across both frontiers would be co-ordinated with the strike. The goal would be the capture of the Algerian cities of Tlemcen and Tebessa near the borders of Morocco and Tunisia respectively.



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2. ATHENS MAY BE PREPARING GREEK PUBLIC FOR UN COMPROMISE RESOLUTION ON CYPRUS

The Greek government appears to be initiating a campaign to prepare the Greek public for a UN compromise resolution on Cyprus. The Greek chargé in London told the American embassy on 24 January that, according to one of the British envoys who visited Archbishop Makarios in the Seychelles, the Cypriot leader "did not take exception" to the Radcliffe constitutional proposals and was prepared to denounce violence on Cyprus if released from captivity.

The Greek chargé in putting forth this version of Makarios' views is probably reflecting Athen's desire to create an atmosphere favorable to acceptance of a UN resolution creating a committee to investigate the Cyprus problem. Publicly, however, it cannot retreat from its demand for a resolution favoring self-determination and as of now a resolution creating an investigatory committee would be interpreted by the Greek public as a severe defeat. Widespread dissemination of reports that Makarios was ready to accept London's terms on Cyprus, however, might disarm the government's domestic opposition and enable the government to claim a victory in the UN.

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4. BONN GIVES APPROVAL FOR TRADE DELEGATION TO COMMUNIST CHINA

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The Bonn government has approved sending a West German trade delegation to Communist China to negotiate an exchange of goods agreement, according to the head of the semiofficial East-West trade committee. The delegation will consist of members of six or seven business firms. About \$56,000,000 worth of trade in each direction is anticipated. Bonn officials state that no embargoed goods will be included.

The American embassy in Bonn thinks the undertaking is inappropriate at this time, since it expects Moscow and Peiping to use it for propaganda purposes. While the West German Foreign Ministry supports this view in part, the embassy believes it would be difficult to press the government to reverse its approval.

Comment

Trade between West Germany and Communist China amounted to \$62,600,000 during the first nine months of 1956.

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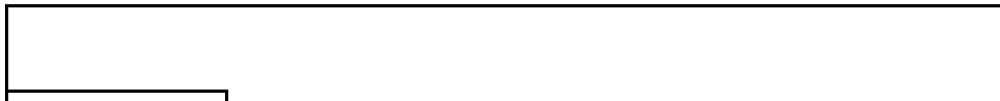
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**5. U NU INFLUENTIAL IN CONCLUDING EXTENSIVE
BURMESE-SOVIET AID AGREEMENT**

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Burma's agreement for a large-scale Soviet construction program reflects the influence of U Nu, who will soon return as prime minister, according to information reaching the American embassy in Rangoon. U Nu had promoted these projects, and Burmese negotiators were also pressed into signing the generally unfavorable accord by the "overpowering tactics" of the Soviet aid mission.

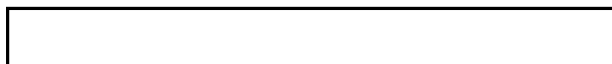


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Burma will pay the entire cost of the program, amounting perhaps to \$50,000,000. Earlier Burmese expectations had been that Burma would reciprocate for these "gifts" with only token payments of rice. Projects such as the sports stadium and theater included in the agreement will contribute little to Burmese economic development and may actually impede development progress by diverting limited Burmese resources and administrative and technical skills from more useful projects.

As a result of its long-term nature, which may require Burmese payment in rice and other products over a 20-year period, the contract will assure the continued economic presence of the USSR and will work against Burmese efforts to export its rice for cash.



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6. ARGENTINE CABINET REORGANIZATION

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President Pedro Aramburu requested the 10 civilian ministers to resign on 25 January to facilitate reorganization of the cabinet, in order to end cabinet feuding, and to help the provisional government play a more effective role until national elections are held within the next year. Since only ^(8 or 9) four resignations were accepted, however, the request seems aimed only at dropping the ministers of interior, foreign affairs, education and justice, and treasury. The labor ministry has been vacant.

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Former treasury minister Blanco, whose policies have antagonized both the military and commerce ministers, was considered the main target of the reorganization. [redacted] the "current crisis" was precipitated by the air minister, whose plans to purchase new aircraft were frustrated by Blanco. The commerce minister, who was retained, had objected to Blanco's narrow, nationalistic views on economic policy, a criticism recently voiced by Aramburu without naming Blanco. Blanco's successor is his former deputy, an exponent of expanded and freer trade.

The cabinet changes seem favorable both to domestic policy and continued cordial relations with the United States. [redacted]

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